

DIRECT TESTIMONY

OF

DIANNA HATHHORN

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Central Illinois Public Service Company

Docket No. 02-0718

August 21, 2003

1 Witness Identification

2 Q. Please state your name and business address.

3 A. My name is Dianna Hathhorn. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 Q. By whom are you employed and in what capacity?

7 A. I am currently employed as an Accountant in the Accounting Department
8 of the Financial Analysis Division of the Illinois Commerce Commission
9 ("ICC" or "Commission").

10

11 Q. Please describe your professional background and affiliations.

12 A. I am a licensed Certified Public Accountant. I earned a B.S. in Accounting
13 from Illinois State University in 1993. Prior to joining the Commission in
14 1998, I worked as an internal auditor for another Illinois state agency for
15 approximately 3.5 years. I also have 1.5 years experience in public
16 accounting for a national firm.

17

18 Q. Have you previously testified before any regulatory bodies?

19 A. Yes. I have testified on several occasions before the Commission.

20

21 Q. What is the purpose of your testimony in this proceeding?

22 A. The purpose of my testimony is to report the results of my review of
23 Central Illinois Public Service Company's ("CIPS" or "Company")

24 Purchased Gas Adjustment (“PGA”) Reconciliation, as calculated by their
25 witness Van R. Robinson, on his Schedule VRR-2, and the underlying
26 documents that support the calculations.

27

28 Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 1.00?

29 A. Yes. I prepared the following schedules for the Company, which shows
30 data for the reconciliation year ended December 31, 2002:

31 Schedule 1.01- Reconciliation of Purchased Gas Adjustment Clause

32 Schedule 1.02- Adjustment for Interest Expense Charges

33

34 Results of the Review

35 Q. Please describe ICC Staff Exhibit 1.00, Schedule 1.01- Reconciliation of
36 Purchased Gas Adjustment Clause.

37 A. Schedule 1.01 reflects the Staff proposed 2002 PGA reconciliation. Line
38 14 reflects the net effect of Company and Staff adjustments, and the
39 resulting Factor O.

40

41 Q. Do you recommend any adjustments to CIPS’ PGA reconciliation as a
42 result of your review?

43 A. Yes. Schedule 1.02 reflects my adjustment to remove delayed payment
44 interest charges of \$632 from commodity gas recoverable costs for 2002.
45 The charges were incurred when various pipeline invoices were not paid in
46 a timely manner. (Company Response to Staff Data Request GS-5)

47 Ratepayers should not have to pay for avoidable costs; shareholders
48 should bear responsibility for late payment charges.

49

50 Summary

51 Q. Please summarize your recommendations.

52 A. I recommend that the Commission accept the reconciliation of revenues
53 collected under the purchased gas adjustment clause with actual costs as
54 reflected on ICC Staff Exhibit 1.00, Schedule 1.01.

55 I also recommend that the Company implement the Factor O refund of
56 \$3,003 in the first monthly PGA filing after the date of the Order in this
57 proceeding.

58

59 Q. Does this conclude your prepared direct testimony?

60 A. Yes, it does.

Central Illinois Public Service Company
Reconciliation of Purchased Gas Adjustment Clause
For the Twelve Months Ended December 31, 2002
(In Dollars)

Line No.	Commodity (A)	Demand (B)	TPC (C)	Total (D)
1	Unamortized Balance as of 12/31/2001 per 2001 Reconciliation	\$ 1,366,177	\$ -	\$ 1,366,177
2	Factor A Adjustments Amortized to Schedule 1 at 12/31/2001	3,342,343	(897)	8,044,873
3	Factor O Collected/(Refunded) During 2002	-	-	83,124
4	Balance to be Collected/(Refunded) During 2002 from prior periods (sum of lines 1-3)	\$ 4,708,520	\$ 4,786,551	\$ (897)
5	2002 Gas Costs	\$ 72,405,435	\$ 23,572,595	\$ -
6	2002 PGA Revenues	(75,756,830)	(23,822,472)	(15)
7	Pipeline Surcharges/(Refunds)	(284,636)	-	-
8	Other Adjustments (Rounding)	-	1	-
9	Interest	19,733	7,712	-
10	2002 Under/(Over) Recovery (sum of lines 5-9)	\$ (3,616,298)	\$ (242,164)	\$ (15)
11	Under/(Over) Recovery Balance at 12/31/2002 (line 4 + line 10)	\$ 1,092,222	\$ 4,544,387	\$ (912)
12	Factor A Adjustments Amortized to Schedule 1 at 12/31/2002	\$ 385,282	\$ 4,544,387	\$ (912)
13	Unamortized Balance as of 12/31/2002	\$ 709,943	\$ -	\$ -
14	Requested Factor O (line 11 - line 12 - line 13)	\$ (3,003)	\$ -	\$ -

Central Illinois Public Service Company
Adjustment for Interest Expense Charges
For the Twelve Months Ended December 31, 2002
(In Dollars)

Line No.	Description (A)	Amount (B)	Source (C)
1	Commodity Gas Cost per Company	\$ 72,408,438	Company Schedule VRR-2, line 5
2	Company Adjustment to Commodity Gas Cost	(2,371)	Company Schedule VRR-2, line 5
3	Staff Adjustment to Commodity Gas Cost for Interest Expense	<u>(632)</u>	Company Response to Staff Data Request GS-5
4	Commodity Gas Cost per Staff	<u><u>\$72,405,435</u></u>	Sum of lines 1 through 3

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS COMMERCE COMMISSION

On Its Own Motion

-vs-

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

02-0718

**Reconciliation of revenues collected under gas
adjustment charges with actual costs prudently
incurred.**

NOTICE OF FILING

TO ATTACHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 21st day of August 2003 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of the Illinois Commerce Commission Staff Witness Dianna Hathhorn of the Financial Analysis Division, Accounting Department, a copy of which is hereby served upon you.

Steven R. Knepler
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 21st day of August 2003.

Steven R. Knepler
Supervisor
Accounting Department

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY
Docket No. 02-0718
Service List

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Robert J. Mill
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ILLINOIS COMMERCE COMMISSION

Larry Jones, Administrative Law Judge
Dianna Hathhorn, Case Manager, Accounting Department
Steven Knepler, Accounting Department
Donald McGuire, Accounting Department
Eric Lounsberry, Engineering Department